

February 22, 2016

G. Milton McCarthy, Jr., Esq.
Deputy Attorney General
Alabama Surface Mining Commission
P. O. Box 2390
Jasper, AL 35502

RE: Shannon, LLC
Permit Number: P-3948-01-15-S

Dear Mr. McCarthy:

You have requested that Shannon, LLC¹ describe the type of document or conveyance, which grants the right of entry, disturbance and/or mining regarding permit: P-3948-01-15-S. Please accept this correspondence as Shannon, LLC's response to that request.

In February 2004, United States Steel Corporation ("USS") sold its mineral interest in the relevant property (area under permit P-3948-01-15-S) to RGGS Land and Mineral, Ltd. ("RGGS"). Thereafter, in October 2004, Birmingham Coal and Coke entered into an initial lease with RGGS for the mineral rights of the relevant areas in Jefferson and Tuscaloosa County, Alabama. The mineral rights' lease was thereafter taken over by Twin Pines, Inc.; in June 2005 (Twin Pines, Inc. purchased the assets of Birmingham Coal and Coke). Over the next several years, Twin Pines, Inc. added acreage to the mineral lease that it had with RGGS.

In January 2011, Twin Pines, LLC, a subsidiary of Drummond Company, Inc., acquired the assets of Twin Pines, Inc. Subsequent to January, 2011, Twin Pines, LLC has held the mineral lease with RGGS as to all relevant areas in Jefferson and Tuscaloosa County, Alabama. Twin Pines, LLC, currently leases the Shannon mineral from RGGS pursuant to a lease originally dated October 25, 2004.

Prior to 2014, all applicable surface ownership rights in the relevant properties in Jefferson and Tuscaloosa County were owned by United States Steel (USS). USS sold

¹ Shannon LLC is a wholly owned subsidiary of Twin Pines, LLC.

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the surface acreage to Valley Creek Land & Timber, LLC ("Valley Creek") in August 2014. All applicable surface rights are still owned by Valley Creek.

On February 26, 2004, a Special Warranty Deed to Minerals was entered into between USS and RGGGS whereby USS conveyed, pursuant to the Special warranty Deed, certain minerals covering one hundred and fifty-eight thousand seven hundred eighty-eight (158,788) mineral acres. Section 1.3 of the Special Warranty Deed provides RGGGS with certain "mining rights" for the "development of minerals including without limitations: the right to the use of the surface and the sub-surface of the Fee Lands, together with adjacent lands owned by Grantor on the Effective Date, as reasonably necessary or convenient for the purposes of investigating, exploring, developing, prospecting, drilling for, producing, extracting, mining and storing, through all means known and utilized at the time of this Deed"

Section 1.3 of the Special Warranty Deed further states that:

Grantee may use the Fee Lands for the purposes set forth in this Section 1.3 with respect to Minerals found or located in, under and that may be produced from the Fee Lands and Minerals found or located in, under and that may be produced from other lands owned by Grantee, or owned by others and leased to Grantee, within or immediately surrounding the Fee Lands. In addition to the foregoing rights, the rights provided under this Section 1.3 are intended to be the customary mining rights at law of a mineral owner to use the surface and subsurface to explore for, develop, extract, remove and transport the minerals owned by the mineral owner on the Fee Lands. Grantee shall have the free non-exclusive use of water from the Fee Lands, except water from Grantor's water wells, for all operations for the development, exploration, extraction or removal of the Minerals pursuant to this Deed. Grantee shall further have the right to extract non-mineral substances incident to the development, exploration, extraction and removal of Minerals from the Fee Lands.

Pursuant to Section 1.4 of the Special Warranty Deed to Minerals: "the Mining Rights of Grantee shall be subject to the Use Agreement ..." The subject Use Agreement dated February 26, 2004, is discussed below.

On February 26, 2004, an "Agreement with Respect to Surface and Subsurface Uses Green" was entered into between USS and RGGGS. Pursuant to Section 1.11 of the Agreement, the Agreement has a 20 year term: from February 26, 2004 through February 26, 2024. Specifically, Section 1.11.1 states as follows: "With respect to all of the Lands containing coal or other Minerals which can be mined by surface mining methods, sometimes called strip mining, Grantor hereby grants unto Grantee, for a term of twenty

(20) years from the Delivery Date (the “Option Period”), the non-exclusive option, from time to time, to lease portions of the Lands for surface mining purposes” Pursuant to this Agreement RGGS is currently leasing the subject mineral rights to Twin Pines.

On August 27, 2014, a Statutory Warranty Deed with Reservation and Grant of Easements was entered between USS and Valley Creek conveying certain surface property rights in Bibb, Jefferson, Shelby, Tuscaloosa, and Walker Counties. The Statutory Warranty Deed with Reservation and Grant of Easements states in part as follows: “that the Property is free and clear of all encumbrances except for the “Permitted Encumbrances” set forth in EXHIBIT D ...”

EXHIBIT D to the Statutory Warranty Deed with Reservation and Grant of Easements: “PERMITTED ENCUMBRANCES” is attached hereto as Exhibit E. The pertinent “permitted encumbrances” can be found on page 3 of EXHIBIT D and are located in paragraphs 413, and 415.

- 413. Special Warranty Deed to Minerals from United States Steel Corporation to RGGS Land & Minerals, Ltd, L.P., recorded at instrument #200404-5718.
- 415. Agreement With Respect to Surface and Subsurface Uses Green from United States Steel Corporation to RGGS Land & Minerals, Ltd, L.P., recorded at Instrument #200404-5720.

On August 27, 2014, an Assignment and Assumption Agreement (RGGS Agreements) was entered into between USS and Valley Creek. A copy of the Assignment and Assumption Agreement (RGGS Agreements) is attached hereto as Exhibit F. Paragraph C of the Recitals to the Assumption Agreement (RGGS Agreements) states as follows:

C. Portions of the Property are bound by those certain agreements between Assignor and RGGS Land and Minerals, Ltd., L.P., a Delaware limited partnership (“RGGS”), said agreements being more particularly described on EXHIBIT A attached hereto (the “RGGS Documents”), and Assignor and Assignee desire to enter into this Assignment with respect to the RGGS Documents, all upon the covenants, terms and conditions contained herein;

EXHIBIT A to the Assignment and Assumption Agreement makes specific reference to the surface and subsurface agreement dated February 26, 2004 (attached hereto as Exhibit C) and states as follows:

February 22, 2016


Page -4-

“Agreement with Respect to Surface and Subsurface Uses Green” dated February 26, 2004 between Assignor and RGGS (as amended from time to time, the “RGGS Green Agreement”).”.

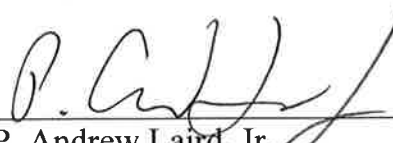
Pursuant to the aforementioned documentation, Twin Pines/Shannon has the absolute right to enter, disturb and mine the subject property currently permitted under P-3948-01-15-S. Any interest in the surface that Valley Creek may have is subject to RGGS’s right to develop their minerals and enter into use agreements concerning the same. Therefore, Shannon, LLC, has the right to enter, disturb and mine, as described above.

Sincerely,

STARNES DAVIS FLORIE LLP


Philip G. Piggott

PGP/dgh
Enclosures


P. Andrew Laird, Jr.